

## **Memorandum of Support for Connecticut Raised Bill 385 AN ACT CONCERNING THE AMOUNT OF THE DIGITAL MEDIA TAX CREDIT**

### **Introduction**

Honorable Co Chairs Senator Fonfara, Representative Scanlon, and Ranking Members Representative Cheeseman and Senator Martin and distinguished members of the Finance, Revenue and Bonding Committee, my name is Brian O'Leary, I am Tax Counsel for NBCUniversal and I appear before you today to present testimony in support of Raised Bill 385. Bill 385 would achieve two objectives: 1) enhance the competitiveness of the state's television, streaming and digital media tax credit ('Tax Credit'); 2) while generating an even stronger fiscal return from the Tax Credit program for Connecticut. More specifically, Raised Bill 385 would update the current Tax Credit program's substantially below market 78% redemption price when credits are applied against Connecticut sales tax and replace with the rate of 92%; which is consistent with the 3<sup>rd</sup> party market for tax credit purchases and sales. As a critical point of comparison, if credits cannot be used by the production company, they are sold to Connecticut taxpayers who in turn apply the credits on their state tax returns. The state honors sold credits at full face amount (*100% of the credit face amount*).

### **Background**

The Connecticut Tax Credit program has been a catalyst for direct and long-term investments in well-paying jobs, leading edge technology and studio infrastructure. This critical point was confirmed in the report issued last month by the international economist firm, Olsberg SPI prepared for the Connecticut Office for Film, Television and Digital Media. The Olsberg economists noted, *'Connecticut's unique incentives offer has enabled the state to achieve what a number of other jurisdictions are aiming to do — i.e. encourage Screen producers and investors to build infrastructure and commit on a longer-term basis. In focusing on long-form production rather than solely on film, the state has built stable production throughput, rather than focusing only on itinerant projects. This*

*means that the state has a very strong platform for future growth.'*<sup>[1]</sup> The report found the state has attracted more than \$550 million in capital investment in production and production support infrastructure, in addition to creating more than 8,700 jobs statewide. NBCUniversal's contribution to these results are provided in the company's attached investment summary, results we are incredibly proud of. Moreover, through the COVID-19 crisis, NBCUniversal kept its focus on expanding our Connecticut production and investment profile, including the launch of the technology arm of the company's Peacock Streaming service at our Stamford facility as well as relocating our linear and digital operations of the Golf Channel to Connecticut. Our company objective is to continue our growth trajectory in Connecticut well in to the foreseeable future.

### **Bill 385**

Raised Bill 385 allows the production company or its parent company the opportunity to use 92% of a tax credit's face value if it is applied against the company's sales tax obligation instead of the current 78% in statute. The current sales tax offset of 78% is significantly below the 3<sup>rd</sup> party sale market, meaning a mechanism designed to save the state funds for every credit used and establish greater predictability for production companies will not be realized by either party. The sales tax offset was meant to be a continuation of the successful policy adopted in 2017 when the state allowed production companies to use credits earned against their Connecticut Community Antenna Tax ('CCAT') obligations, at a discount of \$0.92. The resulting savings from the CCAT offset will save the state more than \$10MM over the first five years the offset is in effect. The reason for the savings is because the \$0.92 discounted rate was fixed to encourage productions to redeem their credits through the CCAT in lieu of selling credits to third party buyers. The 3<sup>rd</sup> party sale market for digital media tax credits in Connecticut has historically fluctuated between the upper 80s to lower 90s so a \$0.92 rate to offset against the CCAT was appealing to production companies in lieu of selling credits to third parties, yielding savings to the state.

### **DIGITAL MEDIA AND TELEVISION TAX CREDIT PROPOSAL – EXAMPLE**

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<sup>[1]</sup> *Economic Impact of Connecticut's Digital Media & Motion Picture Tax Credit, Digital Animation Production Company Tax Credit and the Infrastructure Tax Credit*, A Study for the Connecticut Office of Film, Television & Digital Media by Olsberg•SPI, February 4, 2022

**I. Current Law:**

**\$10,000,000 tax credit**

**Credit is sold to Connecticut Insurance Company by the Production Company that earned the Credit**

***Sales Details -***

**Insurance Company Purchases the credit for \$9,000,000**

**Credit broker receives \$150,000 sale commission**

**Production Company receives \$8,850,000**

**Insurance Company claims \$10,000,000 credit against its Premiums Tax**

**II. Sales Tax as Proposed under Bill 385:**

**\$10,000,000 tax credit**

**Credit is used by the production company on its sales tax return**

***Sales Tax Usage Details -***

**Apply 92% (\$9,200,000) of the \$10,000,000 credit against sales tax**

**\$800,000 of \$10,000,000 credit not used = \$800,000 savings to Connecticut**

NBCUniversal looks forward to continuing our longstanding and valued relationship as a fixture in the Connecticut economy and the communities we work in and I am at your disposal to answer any questions or provide additional information.